



FEBRUARY 2015



MINNESOTA Management & Budget
MN.GOV/MMB

February 27, 2015

Forecast Summary

- Forecast Balance has Increased by \$832 Million in FY 2016-17; Available Balance now \$1.869 Billion
- U.S. Economic Outlook Improves
- Lower Oil Prices and Rising Dollar Affect Economic Growth
- Higher Expected Individual Income and Sales Taxes and Lower Education Spending Contribute to FY 2016-17 Balance
- Long Term Budget Outlook Remains Strong

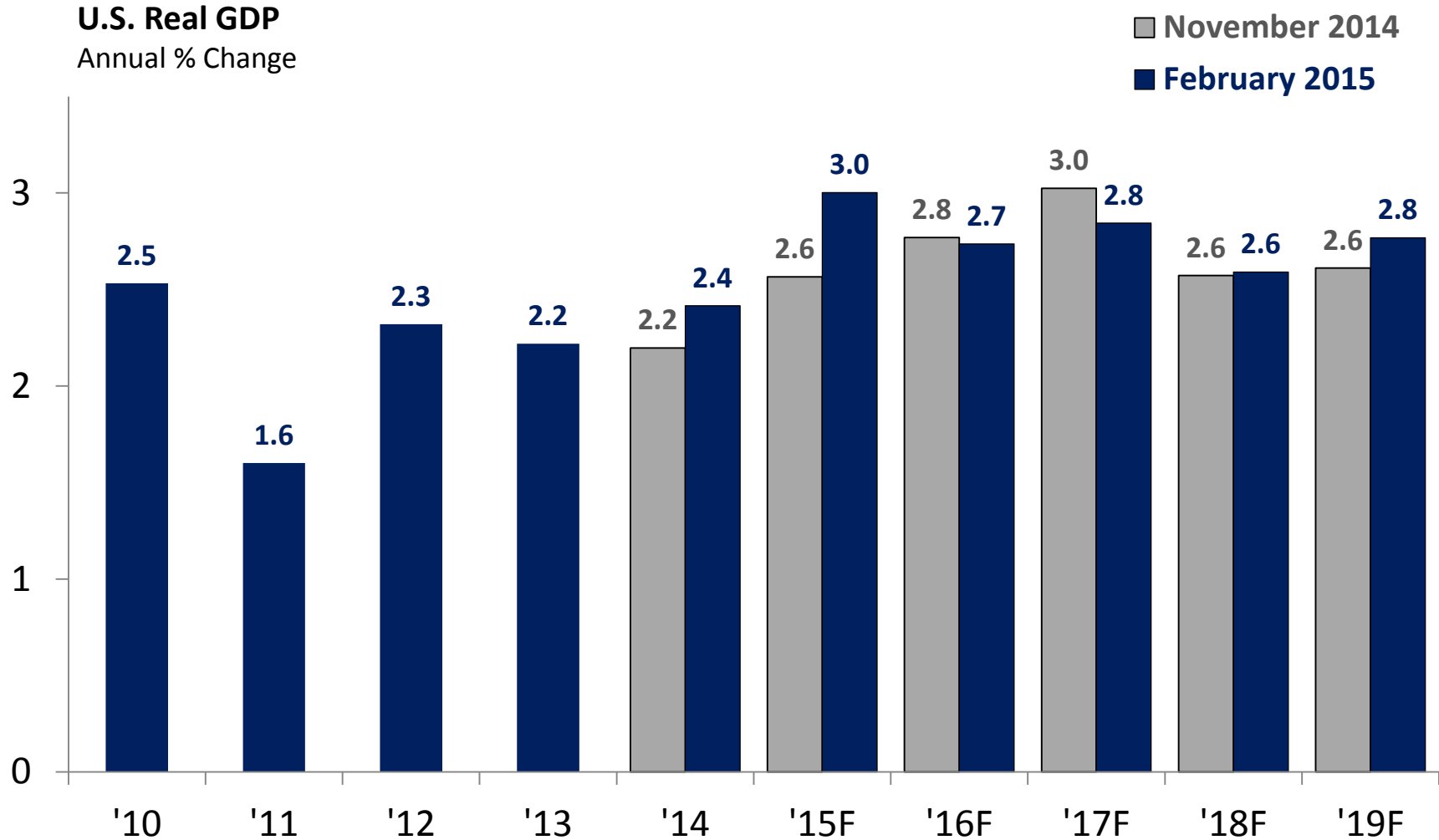
Higher Revenues, Lower Spending Produce Balance for FY 2014-15

(\$ in millions)	February Forecast	\$ Change
Beginning Balance	\$1,712	\$0
Revenues	39,438	67
Spending	39,298	(39)
Reserves	1,344	0
Stadium Reserve	30	2
Available Balance	\$478	\$105

FY 2016-17 Budget Outlook has Improved Since November Forecast

(\$ in millions)	November Forecast	February Forecast	\$ Change
Beginning Balance	\$1,745	\$1,852	\$107
Revenues	41,880	42,497	616
Spending	41,243	41,128	(115)
Reserves	1,344	1,344	-
Stadium Reserve	1	7	6
Available Balance	\$1,037	\$1,869	\$832

U.S. Economic Outlook has Improved



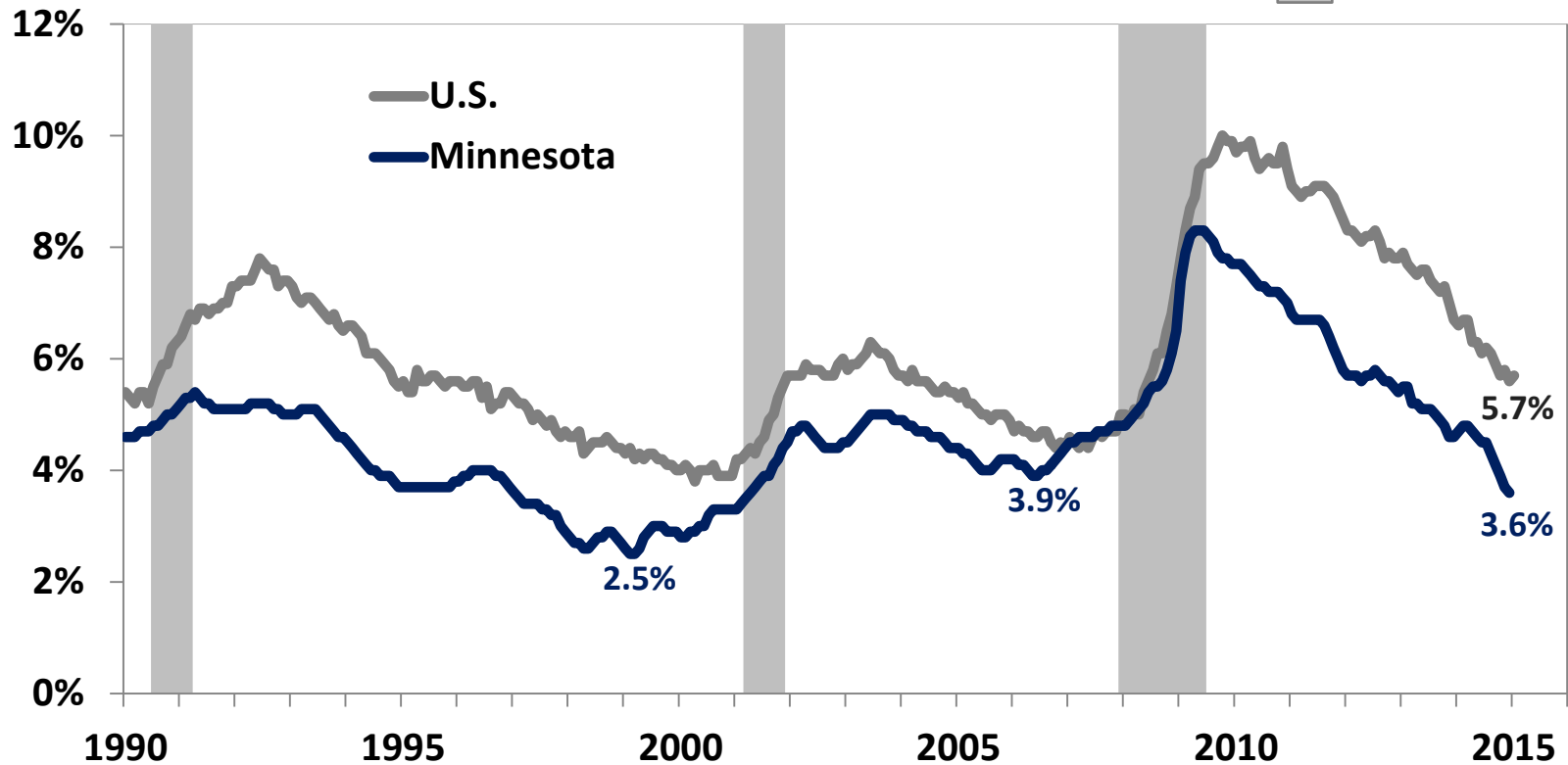
Source: U.S. Bureau of Economic Analysis (BEA), IHS Economics (IHS)

Minnesota's Economic Expansion Continues

Unemployment Rate

Monthly, Seasonally Adjusted

■ = U.S. Recession

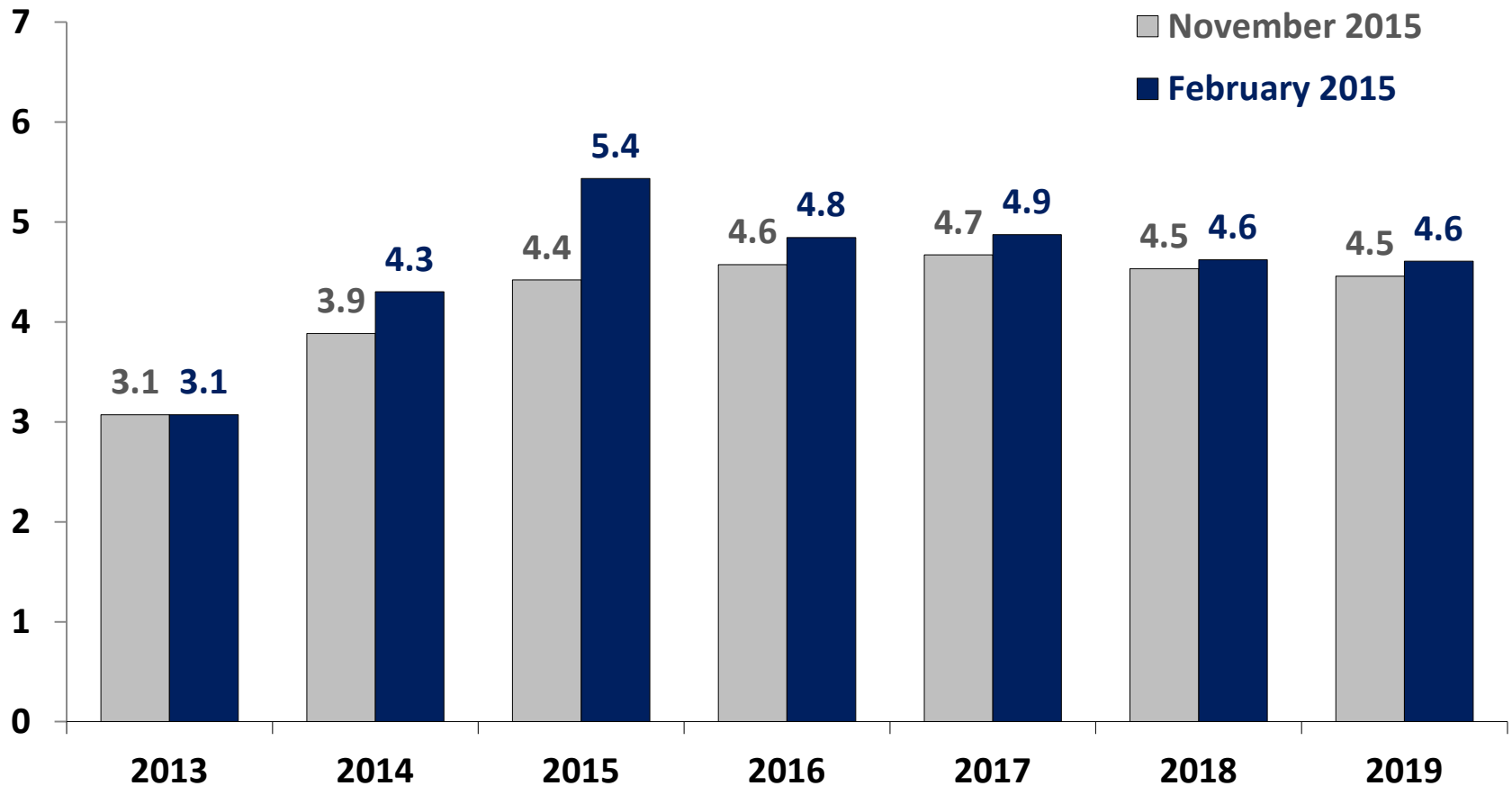


Source: Minnesota Department of Employment and Economic Development (DEED)

Stronger Wage Growth Expected in Minnesota

Minnesota Nominal Wage and Salary Disbursements

Annual Percent Change, MMB Forecast



Source: U.S. Bureau of Economic Analysis; IHS Economics; Minnesota Management and Budget (MMB)

Individual Income & Sales Tax Receipts

Add to FY 2016-17 Forecast

(\$ in millions)	February Forecast	\$ Change	% Change
Individual Income Tax	\$22,057	\$393	1.8%
General Sales Tax	10,920	124	1.1
Corporate Franchise Tax	2,576	(31)	(1.2)
Statewide Property Tax	1,699	(11)	(0.6)
Other Tax Revenue	3,522	45	1.3
Total Tax Revenues	\$40,772	\$520	1.3%
Non-Tax Revenues	1,403	3	0.2
Other Resources	322	94	41.5
Total Revenue	\$42,497	\$616	1.5%

Forecast Risks

Economy

- Household Formation & Labor Force Growth
- Wage Growth
- Monetary & Fiscal Policy
- International Trade (Exports)
- Oil Prices & Inflation

Revenues

- Capital Gains
- Wage & Salary Income
- 29 Months Remain Until End of FY 2016-17

Forecast Spending has Been Reduced in the Current and Next Biennium

(\$ in millions)	FY 2014-15	FY 2016-17
	<u>\$ Change</u>	<u>\$ Change</u>
K-12 Education	\$(10)	\$(109)
Property Tax Aids & Credits	(8)	(14)
Health & Human Services	(25)	14
Debt Service	-	(6)
All Other	4	(1)
Total Spending	\$(39)	\$(115)

FY 2018-19 Planning Estimates

Provide Longer Term Budget Context

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019
Forecast Revenues	\$20,795	\$21,702	\$22,626	\$23,640
Projected Spending	20,400	20,729	21,276	21,806
Difference (Gap)	\$395	\$973	\$1,350	\$1,834
<i>Estimated Inflation Applied to Spending</i>	<i>\$163</i>	<i>\$730</i>	<i>\$1,322</i>	<i>\$1,957</i>